

CITY OF ARLINGTON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2004

This discussion and analysis of the City of Arlington's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2004. It should be read in conjunction with the accompanying letter of transmittal and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City of Arlington's net assets of governmental activities increased by \$18.4 million or 4.6 percent this year, primarily because of an increase in the City's cash and investments of approximately \$20.1 million. The City has higher cash and investment balances this year compared to last year due to revenues exceeding expenditures in the General Fund and in several non-major funds.
- The City's increase in total net assets of \$44.7 million for the year ended September 30, 2004 was \$14.2 million higher than for the year ended September 30, 2003. This \$14.2 million is equally attributable to higher property tax revenue in the General Fund and Debt Service Fund and an increase in sewer service revenue in the Water and Sewer Fund.
- As of September 30, 2004, the City of Arlington's governmental funds reported combined ending fund balances of \$116.1 million, an increase of \$18 million in comparison with the prior fiscal year. The majority of this change is due to increases in fund balance for Other Nonmajor Funds including a \$5 million increase in special revenue fund balances and a \$7 million increase in capital projects fund balances. The special revenue fund balance increase is primarily attributable to revenues exceeding expenditures in the Street Maintenance Fund. The increase in the capital projects fund balances is due to the issuance of general obligation bonds in various funds such as Municipal Office Facilities, Library, Parks and Traffic. Revenues exceeding expenditures in the General Fund account for the remaining increase in fund balance.
- At the end of the current fiscal year, unreserved General Fund balance was \$22.9 million compared to \$19.5 million last year. Last year, unreserved fund balance was fully designated for various purposes such as working capital requirements and subsequent years' expenditures. This year, after designating fund balance for these various purposes, \$0.7 million remained undesignated.
- The City's total debt of \$382,609 million is substantially unchanged this year versus last year. Of the total debt, \$295,300 million relates to the operation of the general government and \$87,309 million relates to water and wastewater activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Arlington's basic financial statements. The City of Arlington's basic financial statements are comprised of four components: government-wide financial statements, fund financial statements, notes to the financial statements and required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Arlington's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City of Arlington's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Arlington is improving or deteriorating. The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including police, fire, libraries, planning and development, public works, parks and recreation, and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and sanitary landfill are reported here.
- **Component Units** – The City includes five separate legal entities in its report – Arlington Sports Facilities Development Authority, Inc., Arlington Housing Authority, Arlington Convention and Visitors Bureau, Arlington Housing Finance Corporation and Arlington Industrial Corporation. Although legally separate, these component units are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds - governmental and proprietary – utilize different accounting approaches.

- Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Arlington maintains twenty-four individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund and the Street Capital Projects Fund, all of which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information such as cash flows. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities, such as the City's general

services, the City's self-insurance funds and fleet maintenance functions. Because these services benefit both governmental as well as business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The City of Arlington maintains two individual enterprise funds. The City uses enterprise funds to account for its water and sewer and sanitary landfill. The funds provide the same type of information as the government-wide financial statements, only in more detail and include some of the internal service fund type activity. The proprietary fund financial statements provide separate information for the water and sewer and sanitary landfill, both of which are considered to be major funds of the City.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for its Part-Time Deferred Income Trust, Thrift Savings Plan and Disability Income Plan, as well as certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activities of these funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees.

THE CITY AS A WHOLE – Government-wide Financial Analysis

The City's combined net assets were \$838 million as of September 30, 2004. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$419 million. This analysis focuses on the net assets (Table 1) and changes in general revenues (Table 2) and significant expenses of the City's governmental and business-type activities.

By far the largest portion of the City's net assets (79.8 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided

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from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 1
Summary of Net Assets
(Amounts Expressed in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 157	\$ 139	\$ 101	\$ 93	\$ 258	\$ 232
Capital assets	612	618	422	402	1,034	1,020
Total assets	769	757	523	495	1,292	1,252
Long-term liabilities	295	298	83	81	378	379
Other liabilities	55	58	21	21	76	79
Total liabilities	350	356	104	102	454	458
Net assets:						
Invested in capital assets, net of related debt	318	322	351	325	669	647
Restricted	3	-	9	10	12	10
Unrestricted	98	79	59	58	157	137
Total net assets	\$ 419	\$ 401	\$ 419	\$ 393	\$ 838	\$ 794

Governmental Activities

The City's general revenues increased when compared to the prior year by 6.7 percent or \$11.9 million. The primary reason for this increase was due to an \$11.4 million or 7.9 percent increase in overall tax revenue. Property tax revenue increased due to increased property valuations and the addition of new property throughout the City. The assessed value of the property in the City increased by \$674.7 million or 4.7 percent while the property tax rate of \$0.6480 per \$100 assessed valuation increased \$0.014 or 2.2 percent. In the General Fund, sales tax revenue increased \$0.8 million or 2.2 percent over the previous year.

**Table 2
General Revenues
(Amounts Expressed In Thousands)**

	2004	2003	Increase (Decrease)
Taxes	\$ 157,143	\$ 145,689	\$ 11,454
Utility franchise fees	29,321	29,181	140
Interest income	1,957	2,040	(83)
Other revenue	2,690	2,268	422
Total general revenues	\$ 191,111	\$ 179,178	\$ 11,933

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Governmental and Business-type activities increased the City's net assets by \$44.7 million for the year ended September 30, 2004 and \$30.5 million for the year ended September 30, 2003. The key elements of these increases are as follows:

**Table 3
Changes in Net Assets
(Amounts Expressed in Thousands)**

	Governmental Activities		Business-type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 33,669	\$ 33,422	\$ 95,207	\$ 89,618	\$ 128,876	\$ 123,040
Operating grants and contributions	7,758	8,728	-	-	7,758	8,728
Capital grants and contributions	5,730	8,525	6,656	6,064	12,386	14,589
General Revenues:						
Taxes	157,143	145,689	-	-	157,143	145,689
Utility franchise fees	29,321	29,181	-	-	29,321	29,181
Other	4,647	4,308	1,119	1,417	5,766	5,725
Total revenues	238,268	229,853	102,982	97,099	341,250	326,952
Expenses:						
General government	30,646	28,511	-	-	30,646	28,511
Public safety	93,852	89,554	-	-	93,852	89,554
Public works	55,350	57,768	-	-	55,350	57,768
Public health	1,321	1,424	-	-	1,321	1,424
Parks and recreation	20,633	21,327	-	-	20,633	21,327
Public welfare	5,410	7,282	-	-	5,410	7,282
Convention and event services	5,347	5,478	-	-	5,347	5,478
Interest and fiscal charges	14,548	15,102	-	-	14,548	15,102
Water and sewer	-	-	67,232	68,282	67,232	68,282
Landfill	-	-	2,207	1,731	2,207	1,731
Total expenses	227,107	226,446	69,439	70,013	296,546	296,459
Increase in net assets before transfers	11,161	3,407	33,543	27,086	44,704	30,493
Transfers	7,238	9,254	(7,238)	(9,254)	-	-
Increase in net assets	18,399	12,661	26,305	17,832	44,704	30,493
Net Assets, October 1	400,872	388,211	392,902	375,070	793,774	763,281
Net Assets, September 30	\$ 419,271	\$ 400,872	\$ 419,207	\$ 392,902	\$ 838,478	\$ 793,774

The most significant governmental expense for the City was in the area of public safety, which incurred expenses of \$93.9 million, representing a \$4.3 million increase when compared to the prior fiscal year. The components of public safety are police and fire. Police accounted for \$60.6 million in public safety expense this year compared to \$56.9 million last year, a 6.6 percent increase. Salary and benefits of \$51.4 million comprised 84.8 percent of Police expense for the year ended September 30, 2004 as compared to salary and benefit expense of \$49.0 million equaling 86.1 percent of last year's expense. The increase in salary and benefit expense is the result of a combination of general pay increases and the expiration of grant reimbursement programs for various officer positions. These expenses were offset by revenues collected from a variety of sources,

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with the largest amount coming from fines and forfeitures, which were \$7.3 million for the fiscal year ending September 30, 2004, a decrease of \$0.2 million or 2.7 percent. Fire accounted for \$31.6 million in public safety expense this year, compared to \$30.0 million last year, an increase of 5.3 percent. Salary and benefits of \$27.0 million made up 85.4 percent of Fire expense for the year ended September 30, 2004 compared to salary and benefit expense of \$26.1 million comprising 87.0 percent of last year's expense. The increase in salary and benefit expense is primarily attributable to general pay increases.

Other significant governmental expenses for the City include public works at \$55.4 million for the year ended September 30, 2004 compared to \$57.8 million last year, a 4.2 percent decrease. This decrease is primarily attributable to a decline in capitalized construction-in-progress expenditures this year of \$5.0 million. Offsetting the decrease is an increase in salary and benefits and depreciation expense. This year, salary and benefits was \$16.5 million and depreciation expense was \$28.5 million compared to last year's expense which included \$15.8 million in salary and benefits and \$28.4 million in depreciation expense.

Business-type Activities

Revenues of the City's business-type activities were \$103.0 million for the fiscal year ending September 30, 2004. Revenues increased by approximately \$6.1 million or 6.1 percent. Expenses for the City's business-type activities were \$69.4 million for the year, a slight decrease of \$0.6 million or 0.8 percent. The resulting increase in net revenues is due to several factors, including the following:

- The City's water and sewer system recorded charges for services of \$88.5 million, an increase of \$6.6 million over last year, and a non-cash revenue source of \$6.4 million of capital contributions that represent developer contributions. Developer contributions represent subdivision infrastructure, which upon completion, is contributed to the resources of the City. Excluding developer contributions, the water and sewer system charges for services of \$88.5 million exceeded expenses of \$67.2 million by \$21.3 million. The most significant expenses of the water and sewer fund were \$12.7 million to purchase water, \$16.1 million for the purchase of sewage treatment and \$13.0 million in salaries and benefits. Overall the City's water and sewer system's net revenues of \$27.6 million (including developer contributions) for this year were higher than last year's net revenue of \$19.4 million. This \$8.2 million increase is primarily due to increased sewer service revenue of \$7.6 million attributable to the implementation of a new cost-of-service rate structure. Also, the policy of charging past due fees on unpaid water and sewer balances established in FY 2004 contributed to the increase.
- The City's landfill activity recorded charges for services of \$6.7 million, a decrease of \$1.0 million over last year. Expenses were \$2.2 million, \$0.5 million less than last year, resulting in net revenue of \$4.5, approximately \$1.5 million less than last year. The decrease in landfill net revenue is primarily attributable to discontinuing rate payer contributions to the residential rate stabilization fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2004, the City had \$1.034 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$14 million or 1.4 percent over the prior fiscal year. The \$14 million increase combines a \$6 million decrease in Governmental Activities with a \$20 million increase in Business-type Activities. The decrease in Governmental Activities is the result of lower capital outlays for construction in progress, primarily in Public Works. The increase in Business-type Activities is due to increased capital outlays for the water and sewer system. Footnote 4 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.

Table 4
Capital Assets, net of Accumulated Depreciation
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 71,831	\$ 69,739	\$ 10,950	\$ 9,474	\$ 82,781	\$ 79,213
Buildings and improvements	111,836	101,185	3,441	3,438	115,277	104,623
Equipment	15,427	16,354	1,259	1,631	16,686	17,985
Construction in progress	102,931	114,885	82,310	72,902	185,241	187,787
Infrastructure	309,626	315,712	-	-	309,626	315,712
Water and sewer system	-	-	324,437	314,749	324,437	314,749
Totals	<u>\$ 611,651</u>	<u>\$ 617,875</u>	<u>\$ 422,397</u>	<u>\$ 402,194</u>	<u>\$ 1,034,048</u>	<u>\$ 1,020,069</u>

Major capital asset additions during the fiscal year include the following:

- Private developer capital contributions of \$6.4 million to the City's water, sewer, and drainage infrastructure in connection with various residential and commercial developments
- Water and sewer system capital improvements and expansion totaling \$11.9 million
- A variety of street maintenance, storm drainage, and street construction projects with capital outlay totaling \$15.9 million
- Various capital outlays totaling \$4.8 million for improvement of the City's parks and recreation facilities
- Various capital outlays of \$3.2 million for police and fire public safety improvements

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Debt

At year-end, the City had \$382.6 million in General Obligation Bonds, Revenue Bonds and Combination Tax and Revenue Certificates of Obligations outstanding, substantially unchanged from last years' \$382.5 million as shown in Table 5.

**Table 5
Outstanding Debt
(Amounts Expressed In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds (backed by the City)	\$ 260,555	\$ 259,879	\$ -	\$ -	\$ 260,555	\$ 259,879
Combination tax and revenue certificates of obligation (backed by the City)	34,745	39,630	-	-	34,745	39,630
Revenue bonds (backed by fee revenues)	-	-	87,309	82,982	87,309	82,982
Totals	\$ 295,300	\$ 299,509	\$ 87,309	\$ 82,982	\$ 382,609	\$ 382,491

During the current fiscal year the City issued debt in February and July of 2004. The new debt resulted primarily from the issuance of general obligation permanent improvement bonds in the amount of \$24.2 million. The bonds were issued for the purpose of making various capital improvements and were devoted to projects such as street enhancements and parks and recreation improvements. Additionally, the City issued \$15.0 million in water and wastewater system revenue bonds for the purpose of improving and extending the water and wastewater system. Footnote 6 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

The City has maintained its AA rating from Standard and Poor's Corporation, its AA rating from Fitch, Inc. and its Aa2 rating from Moody's Investor Services on its tax supported debt. The City also has an AA- rating from Standard and Poor's Corporation, an Aa3 rating from Moody's Investor Service and an AA+ from Fitch, Inc. on its outstanding water and wastewater revenue bonds. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net bonded debt to assessed value of all taxable property is 1.9 percent.

The City maintains a self-insurance program for bodily injury, property damage, personal injury, advertising injury, regulatory injury and worker's compensation. Claims for worker's compensation over \$300,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors. Claim liability was \$11.0 million at September 30, 2004 compared to \$12.7 million at September 30, 2003.

THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2004, the governmental funds of the City reported a combined fund balance of \$116.1 million. This ending balance includes an increase in fund balance of \$4.5 million in the City's General Fund. The General Fund was able to post this increase in fund balance primarily because of increased property tax revenue and Management's continued enforcement of cost containment measures, as described below. Also due to declining revenues from hotel occupancy taxes, \$1.0 million was transferred from the General Fund to assist the Convention and Events Service Fund, a decrease of \$0.2 million over last year. In addition, these other changes in fund balances should be noted:

- The City's Debt Service fund balance of \$3.0 million increased \$1.0 million over last year. This increase is primarily attributable to a combination of higher property tax revenue and lower interest expenditures this year compared to last year.
- The City spent \$14.2 million in capital outlay in the Street Capital Projects Fund, down \$1.5 million as compared to the same period in the prior year.
- The City's water and sewer fund net assets of \$385.0 million increased by \$25.0 million over the prior year net asset balance. The increase in net assets is primarily due to operating revenues exceeding operating expenses by \$21.6 million.
- The City's sanitary landfill fund net assets were \$34.5 million and increased by \$0.8 million as compared to the prior fiscal year. This increase is the result of operating revenues exceeding operating expenses by \$4.5 million, offset by a \$3.8 million transfer to the General Fund.

General Fund Budgetary Highlights

During FY 2003-04, there were no budget amendments for the General Fund.

For FY 2003-04, actual expenditures on a budgetary basis were \$157.0 million compared to the budget amount of \$160.1 million. The \$3.7 million positive variance was due to savings achieved through a series of expenditure restrictions imposed by the City Manager's Office during the year. The restrictions included a hiring freeze, a limitation on out-of-town travel, and a freeze on capital expenditures.

For FY 2003-04, actual revenues on a budgetary basis were \$157.0 million as compared to the budget amount of \$157.3 million. The majority of the \$0.3 million positive variance was due to a \$2.4 million positive variance in tax revenues, mitigated by a \$1.6 million negative variance in fines and forfeitures and a \$0.9 million negative variance in utility franchise fees.

The City of Arlington has an actual on a budgetary basis General Fund balance of \$24.4 million as of the fiscal year-end, compared to the budgeted fund balance of \$20.7 million. The variance in fund balance is primarily due to cost containment measures implemented by management.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for the business-type activities. One of the most significant factors is the City's recent revenue trends. Eighty percent of the City's general fund revenue is made up of property taxes, sales taxes, electric and telephone franchise fees. Telephone and electric franchise fees are flat because consumers are taking advantage of more efficient technologies which reduce utility usage. Sales tax revenues have stopped the declines experienced in FY 2002 and 2003; however, the City has seen only a 2.2% increase in sales tax receipts this year over last year. This is compared to many surrounding cities which have experienced double digit increases. Assessed property tax values continue to grow, but at a slower rate than previous years.

The absence of significant growth in revenue sources makes balancing the City's budget difficult. For FY 2004, the City used \$3.1 million in one-time revenue to achieve a balanced budget. For FY 2005, the City will use \$9.2 million in one-time revenue to close the General Fund's budget gap. The total 2004-2005 combined budget appropriation is \$173.9 million. This represents an increase of \$13.2 million or 8.2 percent over the 2003-2004 budget.

The General Fund's largest single revenue source is property taxes. The property tax rate for FY 2005 is \$0.6480 per \$100 valuation, unchanged from 2004. Of this tax rate, 62.1 percent or \$0.4023 is utilized for General Fund activities. The remaining 37.9 percent or \$0.2457 is used for debt service. The General Fund's portion of property tax revenue for FY 2005 is estimated to be \$62.1 million up \$4.5 million or 7.8 percent compared to last year. The City's portion of the sales tax rate is one and one-quarter cents. The General Fund receives one cent while the other one-quarter cent is received by the Street Maintenance Fund. Sales tax revenue for the General Fund for fiscal year 2005 is estimated at \$39.1 million, up \$0.5 million or 1.3 percent over last year's budgeted figure.

The largest revenue source for the Water and Sewer fund is water sales at \$47.6 million. This is the charge for potable water used by customers. The City maintains a rate structure designed to ensure that each category of service is self supporting. The rate structure incorporates conservation rates designed to encourage consumers to reduce the amount of water they use. Residential conservation rates for fiscal year 2005 range from \$1.50 per 1,000 gallons for the first 2,000 gallons of consumption to \$2.79 per 1,000 gallons of consumption. The rate for fiscal year 2004 ranged from \$1.63 per 1,000 gallons for the first 2,000 gallons of consumption to \$2.73 per 1,000 gallons of consumption. These rates incorporate the cost of raw water, treatment, distribution and maintenance costs. The second largest revenue source for the Water and Sewer fund is wastewater treatment charges. The total revenue expected is \$38.0 million based on a fiscal year 2005 rate of \$2.42 per 1,000 gallons, \$0.06 lower than last year's rate of \$2.48 per 1,000 gallons. The lower commodity rates for water and sewer consumption will be offset by higher monthly fixed rates. The total revenue for the Water and Sewer Fund is budgeted at \$91.9 million for fiscal year 2005.

The sanitary landfill fund's largest revenue source is the service charge paid by Arlington Disposal Company to dispose of solid waste at the City's landfill, projected to be \$7.2 million for fiscal year 2005. The rate is \$21.25 per ton for FY 2005, up from \$18 per ton for FY 2004.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the City of Arlington, 201 E. Abram St., Suite 800, Arlington, TX 76010.